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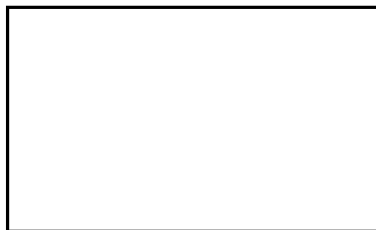
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NATIONAL INTELLIGENCE DAILY CABLE

Tuesday May 3, 1977

CG NIDC 77-102C



**NATIONAL SECURITY INFORMATION**

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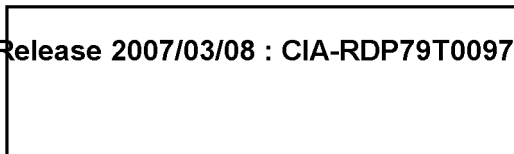
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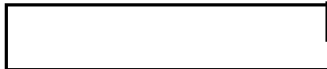
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National Intelligence Daily Cable for Tuesday, May 3, 1977.

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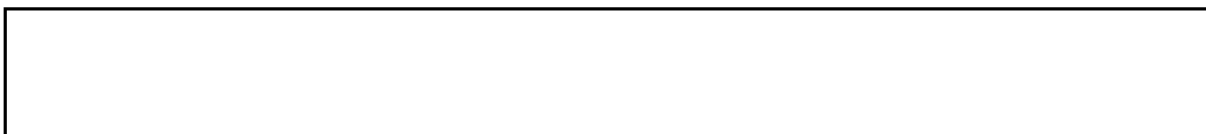
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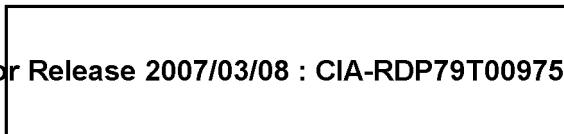
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PAKISTAN: Bhutto Gains Respite

25X1 [ ] Disagreements within the Pakistani opposition have given Prime Minister Bhutto a respite, although it remains far from certain that he can remain in power very long.

25X1 [ ] A major disagreement arose late Sunday when former air force commander Asghar Khan, now a leading figure in the opposition, released a statement calling for Bhutto's resignation as a precondition for negotiations. Other opposition leaders had been considering--and may have been ready to accept--a compromise which called for the new national assembly election they have demanded, but which would have allowed Bhutto until the election to head a coalition government including the opposition. The acting head of the opposition is taking an even softer line in public, saying that the question of holding an election is itself negotiable.

25X1 [ ] Asghar emerged as the leading spokesman for the opposition during the election campaign last winter. Should Asghar be as inflexible on this issue as he has been on others in the past, the other opposition leaders would face a dilemma.

25X1 [ ] If these leaders agree to a compromise without Asghar's blessing, they risk splitting the opposition and greatly diminishing its chances for victory in an early election. Several have been willing to consider an interim government under Bhutto until the election because they expect an election victory that would force Bhutto to leave office.

25X1 [ ] If they join Asghar in refusing to negotiate, the onus for continuing political unrest would be much more clearly on the opposition, making military leaders even more reluctant to intervene in its favor. The opposition might, however, still have enough backing to create the kind of widespread disorders that would force the army's hand.

25X1 [ ] In the meantime, Bhutto's confidence has been bolstered by his estimate that his attacks on the US are gaining him support, by the failure of the opposition to produce its

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heralded massive demonstration last Saturday or to counter demonstrations by Bhutto's followers on Sunday, and by the military's continuing support of the government. Bhutto is likely to be less willing to make concessions to his opponents and will probably increase his efforts to exploit their differences.

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[REDACTED] he has demonstrated an acute political sensitivity and has shown a remarkable capacity for political survival. He has been able to restrain himself at key moments, and further, his striking out at external targets in some crises in the past has increased his popular support. [REDACTED]

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#### JAPAN-USSR: Fishing Negotiations

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[REDACTED] Japanese Agriculture and Forestry Minister Suzuki is scheduled to reopen fisheries negotiations with the Soviet Union in Moscow on Thursday, but government leaders in Tokyo are pessimistic about the chances for progress in the face of the uncompromising Soviet stand.

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[ ] At this point, the Japanese are prepared to wait for signs of flexibility from Moscow. Soviet intransigence--including an attempt to link the sensitive Northern Territories problem with a resolution of the fisheries impasse--has prompted Japanese opposition parties to close ranks behind the government. Prime Minister Fukuda is unlikely to see any advantage in making political concessions on the territorial issue.

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[ ] The most difficult problem from Japan's viewpoint is the Soviet demand that the Northern Territories--a group of islands off northeast Japan seized by the USSR in 1945--be included in the USSR's new 200-mile fisheries zone. Essentially, the Japanese argue that such an arrangement would undercut their legal claim to the territory. As a result, Tokyo has pressed Moscow to uncouple the islands issue from the fisheries talks.

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[ ] The USSR probably will eventually agree to separate the territorial issue from the fisheries negotiations. The publicity surrounding the problem, however, will make the search for an acceptable compromise more difficult.

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[ ] Tokyo has refused to accept the Soviet call for a balance in the fishing catch. The Japanese now catch about 1.8 million tons a year in the Soviet zone, about 15 percent of Japan's total catch, compared to a Soviet catch near Japan of only about a half million tons.

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[ ] The Soviet emphasis on a balanced catch is a result of the USSR's desire to make up in its own fishing zone the substantial fishing catch it will lose because of the imposition of 200-mile zones elsewhere. Soviet officials have rejected Japan's contention that the two sides should maintain the status quo. At the same time, Moscow has demanded--and Tokyo rejected--the right to fish within Japan's newly proclaimed 12-mile territorial sea. Most of the USSR's catch in Japanese waters is taken within 12 miles of the Japanese coast.

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[ ] The Japanese apparently see little Soviet interest in an early agreement, and they are probably right. Japanese leaders regard Moscow's tough tactics as a reflection, in part, of simmering Soviet displeasure over last year's MIG-25 affair

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and over Japan's recent expressions of interest in making economic and political progress in relations with China. The Soviets, on the other hand, probably believe that pressures from Japan's powerful fishing lobby eventually will make Tokyo more amenable to compromise.

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[ ] In any event, Moscow's behavior has combined with the considerable reservoir of anti-Soviet sentiment in Japan to forge a solid--and unprecedented--domestic consensus behind the government's stand. All five opposition parties united with the ruling Liberal Democrats yesterday in support of the Diet's adoption of Japan's own 200-mile economic zone and 12-mile territorial waters limit. Japanese press coverage and editorial comment on the bilateral standoff have been universally critical of Moscow.

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[ ] Japan's sizable fishing industry has been excluded from Soviet waters for almost a month. The opposition parties have not attempted to exploit the industry's problems and continue to side with the government.

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[ ] Moscow's veiled hints that the impasse could also affect the prospects for Japanese investment in Siberian development have also failed to produce pressure on the Fukuda government. Indeed, business leaders were cool to Moscow's suggestion last summer that the Japanese step up their long-term involvement in Soviet development programs, and the Soviets' current approach is likely further to reinforce their skeptical attitude.

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LONDON ECONOMIC SUMMIT: EC

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*[redacted] //This is the last in a series of articles examining the points of view of the participants in the London Economic Summit on May 7 and 8.//*

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*[redacted] //The European Community will be represented at the summit by EC Commission President Roy Jenkins and by British Prime Minister Callaghan, current president of the EC Council. Jenkins' role, however, remains a point of contention among the nine EC member states.//*

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*[redacted] //In finally agreeing in March to Jenkins' attendance, French President Giscard d'Estaing stipulated that Commission participation be restricted to those matters in which the EC has a clear jurisdiction. In order to "facilitate" this, Paris has since suggested that such topics, presumably trade and North-South issues, be grouped together and raised on the second day of the conference with Jenkins present.//*

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[REDACTED] //Callaghan may be receptive to this plan. The formula is unlikely to please the smaller EC members, however, who see the Commission as their proxy. The Dutch finance minister, for example, has recently stressed that the Community's jurisdiction goes beyond trade and North-South matters to include the broad economic and financial questions that will be emphasized at the summit.//

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[REDACTED] //In fact, the Community also has a role in other questions on the summit agenda, including energy, nuclear non-proliferation, and aid to Portugal--where the Commission is trying to be helpful to US efforts by promoting a new EC lending facility. Restrictions on Jenkins' participation could detract from the development of "European" positions on these issues.//

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[REDACTED] //Another potential source of discomfort to the West Europeans not invited to the summit may be the quadripartite meeting set for the third day to discuss Berlin and German matters, from which not only the Community but also Italy, Canada, and Japan are excluded. The countries not included in the quadripartite meeting recognize the legitimacy of this four-power session, usually held along with a NATO ministerial meeting, but suspect that political discussions among the four may be more far-ranging and substantial than those at the summit itself.//

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[REDACTED] //The Commission believes that the differing levels of economic well-being among member countries are a key obstacle to West European unity. In order to help recovery in the weaker member states, it favors expansionary economic policies in West Germany--and in Japan and the US. The Commission advocates restrictive policies for Italy, the UK, and France; it believes these countries cannot afford to stimulate more rapid growth for fear of fueling already rapid inflation.//

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[REDACTED] //To help slow inflation, the Commission usually recommends an incomes policy and in some cases manipulation of exchange rates. To assist in financing balance-of-payments deficits, Commission members favor expansion of multinational lending facilities, and Jenkins will endorse efforts to supplement the capacity of the International Monetary Fund to aid deficit countries.//

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[ ] //The Commission, although under protectionist pressure from various industries as well as some member governments, strongly endorses liberal trade policies. It has blunted attempts to retaliate against the US for imposing quotas on imports of specialty steel and has publicly applauded President Carter's decision on footwear. Although Commission members talked tough earlier this year in order to put pressure on Tokyo to reduce its huge trade surplus, they have avoided retaliatory measures by seeking to negotiate voluntary restraints with the Japanese.//

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[ ] //The EC has long believed that the US was holding up progress in multilateral trade negotiations, particularly by insisting on treating agricultural tariff reductions in conjunction with reductions for other goods. While the Commission has acknowledged that the time for procedural disputes is past, it will nonetheless resist making concessions on agricultural products to gain concessions on manufactured goods. In the Commission's view, concessions on agricultural tariffs would weaken the Common Agricultural Policy, the Community's major accomplishment toward economic union.//

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[ ] //The Commission is receptive toward, but still wary of, recent US initiatives on grain trade and reserves. Since the Commission always has maintained that grain reserves should be used in part as a price stabilization mechanism, it sees US willingness to discuss stabilization as a step in the right direction. It would argue, however, for price ranges that would not require any adjustment in prices of heavily subsidized goods.//

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[ ] //The Commission has been critical of the continual pressure on world oil supplies and prices caused by growing US import demand and is pleased by the announcement of a major US conservation effort. Mindful that even with North Sea oil and nuclear power, the EC countries still will depend on foreign oil for some 40 percent of their energy supplies by 1985, the Commission has been pressing for the adoption of policies that would reduce heavy dependence on oil imports. It hopes the US initiative will persuade member states to adopt a new conservation program it plans to submit in June.//

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[ ] //On nuclear issues, the Commission shares the view of the member states that the US must make a clear distinction between nonproliferation matters and the peaceful use of nuclear energy. It has welcomed recent assurances that the US delay in shipping highly enriched uranium for research reactors will not be prolonged.//

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[ ] //On North-South issues, the Commission generally has trod a middle road between the Dutch and the conservative West Germans. The commissioners were gratified by the decision of EC heads of government in March to support some kind of common fund to finance commodity buffer stocks.//

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[ ] /To spur the EC to take the initiative rather than be a US follower, the Commission proposed a plan for stabilizing the export earnings of developing nations long before the West Germans submitted a similar one for consideration by the Community. The Commission expects the EC to introduce such a plan later this month during meetings of the Conference on International Economic Cooperation. [ ]

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#### MAURITANIA: Guerrilla Raid

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[ ] *An attack by Polisario Front guerrillas on Mauritania's vital iron ore mining facilities near Zouerate on Sunday was the most serious guerrilla incursion inside Mauritania since the raid on the capital city of Nouakchott last June. The attack underscores Mauritania's vulnerability to continuing guerrilla harassment and will increase domestic concern over the government's ability to deal with the Algerian-based Polisario Front.*

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[ ] The guerrillas, who oppose the Moroccan-Mauritanian partition of Western Sahara, killed two French expatriate employees and apparently kidnaped a Mauritanian and six French workers. All French dependents have been evacuated from Zouerate.

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[ ] The Polisario did considerable damage to the mining facilities with mortar fire. A fuel depot was destroyed, and a power station and one of three iron ore conveyer belts were badly damaged. The primary impact of the raid however, will

be psychological. The Mauriticians have stockpiled a three-month supply of iron ore at the port of Nouadhibou to minimize the economic impact of such guerrilla attacks.

25X1 [ ] The attack may have been timed to upset the quarterly meeting of the French-Mauritanian economic commission, which had been scheduled to convene in Nouakchott this week. The US embassy now expects the meeting to be postponed. The guerrillas may increase their harassment this month to demonstrate that the Front, four years after its founding, has become a more credible military force.

25X1 [ ] Since early February, the guerrillas have shown a greater willingness to attack Mauritanian positions in force and occasionally have inflicted significant casualties. The guerrillas usually take advantage of seasonal sandstorms or approaching darkness to elude pursuit, adding to the Mauritanian military's frustration with the seemingly endless guerrilla war. [ ]

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